

SWOT Analysis for Shanghai's Serviced Apartment

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Keywords: Serviced apartment, SWOT analysis, Shanghai business area

Abstract. With the acceleration of building Shanghai as an international financial center, a large number of small and medium-sized enterprises and foreign firms are stepping up to seize the market. Business and tourism floating population keep increasing. Data of the 6th Population Census showed that Shanghai's resident population has reached 23019148, and population coming from other provinces but now living in Shanghai for more than half a year has reached 8977000, which accounting for the city's resident population of 39%.⁷ High percentage of non-native population led to housing consumption problems. The traditional hotel seems too expensive for people who want to settle down for a long time. The serviced apartment which appeared in the 1990s in China, has won a large number of small and medium-sized enterprises and expatriate managers' favor because of the hotel-style services, apartment-style management and relatively cheap prices. And it is still developing very fast. This article is focus on analyzing Shanghai serviced apartment by SWOT, so as to provide suggestions for consumers.

Problem Posing

Serviced apartment is a residential unit which is mainly for rent or investment, with the subject of standardization management and people-oriented service, integrated residence, hotel and club in one building. It is a special property type with both hotel-typed service and apartment-typed administration. Besides, as a comprehensive property type, serviced apartment also reflects features of office building of today's information era – possess good communication conditions, customized provide secretarial service, information, translation and other business services.¹

Serviced apartment concept originated from Europe, which was developed for tourists' temporary rest in tourism area. Even if it was for a short break, it provided unified visiting service like hotel, and also worked as personal temporary homes. All of these formed the embryo of serviced apartment. Not long after, such property became more and more and its service got more and more considerate and popular.

The serviced apartment of China first appeared in Shenzhen in 1980s, and arose in Shanghai and other big cities since it fit with the situation of rapid increase of floating population ratio and fast development speed in urban areas. This article carries on SWOT analysis for Shanghai serviced apartment and so as to provide certain reference for consumers.

Strength analysis for Shanghai serviced apartment

Advantageous Geographical Location and Convenient Transportation.

Serviced apartments are mainly located in districts with rich business atmosphere. Table 1 list the location of serviced apartment in Shanghai and most of which are in three commercial centers.

Full house structures and suitable for all kinds of householder.

Serviced apartments are mainly small spaced, with about 50 square meters per unit, and can be commonly found as one-bedroom and two-bedroom. Table 1 demonstrates some representative ones

in all districts of Shanghai, space of which ranges from 38 m² to 158 m², which can fit different levels of requirements.

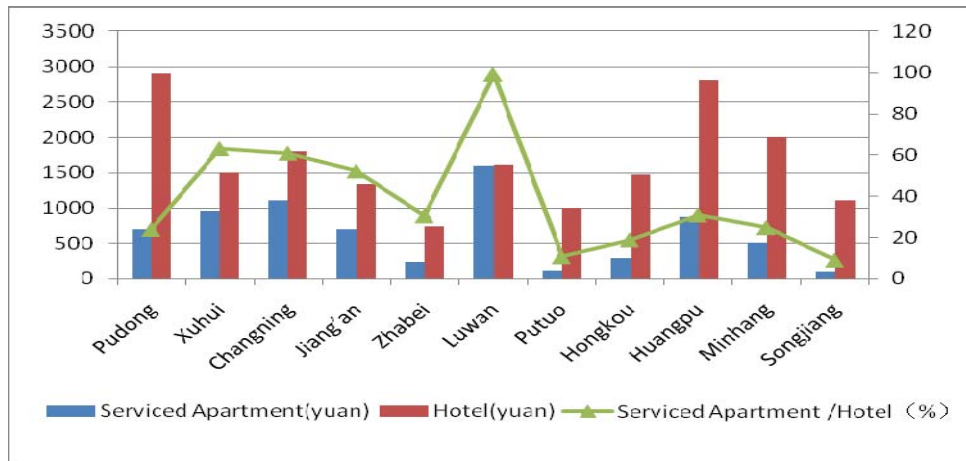
High Performance Price Ratio

Monthly rent per square meter is relatively cheaper than general hotels, with the minimum 48 yuan/ m² and maximum 944 yuan/ m². Table 1 list the monthly rent per m² ranges from 116 to 994, which has absolute advantage relative to general hotels. Serviced apartments are separate flat, they provide more convenient living and require lower cost (the rent of which equals to 40% of that of similar hotels), with almost the same level of hardware and software ancillary facilities with hotels. Picture 1 also shows that, serviced apartments in central zone like Luwan District have the least price advantage; while Songjiang has obvious advantage.

Table 1 Part of Serviced Apartment List

Estate	Address	Area (m ²)	Total unit number	Monthly average rent (yuan/m ² .)
New Space	No.99, Huichuan road, Changning District (Zhongshan Park area)	42~68	100	171~217
Bailing Wanyuan	No.599, Pudong Avenue, Pudong (Lujiazui business area)	56~80	337	116~160
Greenland Hotel	No.193, Xiehe Road. Changning District (Hongqiao business area)	45~56	30	266~357
Zhongxin 5 cows' city	No.1089, Pudong Avenue, Pudong (Lujiazui business area)	42~65	130	261~338
88xintiandi	No.380, South Huangpi Road, Huangpu District (Huaihai Road)	42~56	53	357~380
Dijing Park	No.999, Zhaojiabang Road, Xuhui District (Xujiahui)	57~158	105	221~298
Xileting Jinqiao	No.55, West Beijing Road, Huangpu District (People's Square)	27~62	260	459~944
Ascott	No.282, Middle Huaihai Road, Huangpu District (Huanhai Road)	59~155	278	556~760
Huishengtin International	No.98, Shouning Road, Huangpu District (Huanhai Road)	63~117	276	416~509
Xihua	No.1, West Huaihai Road, Xuhui District (Xujiahui)	16~36	168	675~800
Hengyuan	No.728, Hongjing Road, Minhang District (Hongqiao business area)	38~150	85	301~314

(Data Sources: Network data cleansing)



Picture 1 Price Comparison between luxury Serviced Apartment and Same Level Hotels in Shanghai

Table 2 Evaluation List for Part of Serviced Apartment

Estate	Total	Facility	Price	Location	Restaurant	Transport	Service	Reputation	2-star Rank	3-star Rank	4-star Rank	5-star Rank
New Space	4.3	4.0	4.1	4.4	4.1	4.7	4.4	126	34	—	—	—
Bailing Wanyuan	3.8	3.8	4.0	3.7	—	3.9	3.6	1215	339	—	—	—
Greenland Hotel	3.9	4.2	—	3.5	—	3.7	4.0	866	203	—	—	—
Zhongxin 5 cows' city	3.9	3.6	4.6	4.3	4.0	4.1	3.0	866	—	107	—	—
88Xintiandi	4.1	4.3	3.7	4.3	3.6	4.5	4.3	456	—	—	94	—
Dijing Park	4.3	4.0	4.3	4.6	4.0	4.8	4.1	126	—	—	20	—

Xileting Jinqiao	4.3	4.1	4.3	4.7	3.9	4.7	4.2	126	—	—	20	—
Ascott	4.1	3.8	3.2	4.7	4.1	4.7	3.8	456	—	—	—	80
Huishengtin International	4.0	4.2	—	4.0	4.0	3.9	3.9	665	—	—	134	—
Xihua	3.9	3.8	3.9	4.0	3.9	4.0	—	866	—	—	165	—
Hengyuan	4.1	4.3	4.2	4.0	4.1	4.1	3.6	456	—	—	94	—
Average	4.1	4.0	4.0	4.2	4.0	4.3	3.9	—	—	—	—	—

(Data source: Sorting by <http://www.qunar.com>. Full Score is 5.0.)

Weakness Analysis for Shanghai Serviced Apartment

Service level should be further enhanced

From the results of five factors for 11 serviced apartment evaluated by Qunar.com in Table 2, we can see that the service index got the lowest score and the average was only 3.9.

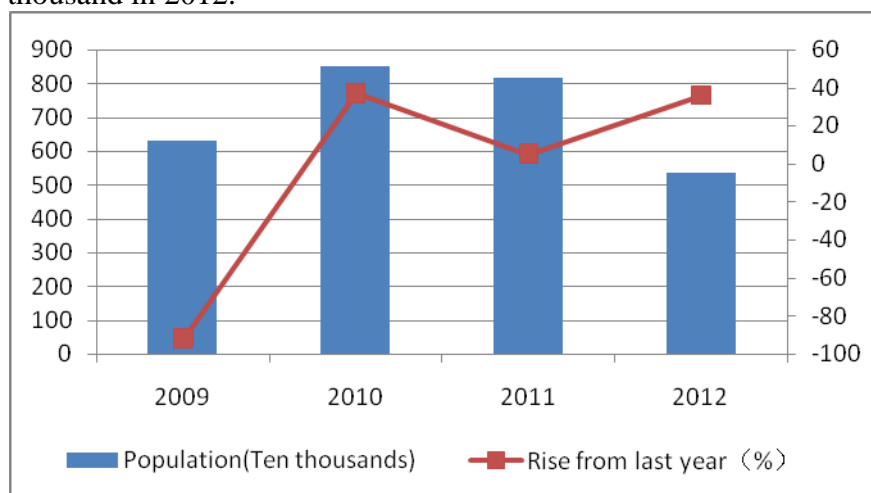
Both hardware and software facilities need to be improved.

From the results of five factors for 11 serviced apartment evaluated by Qunar.com in Table 2, facility index was the second-lowest, with average score as 4.0, which was below the grand average 4.1. Hence it requires more improvements.

Opportunity Analysis for Shanghai Serviced Apartment

Rise of commercial tourists

Shanghai gradually develops into an international financial center. Different kinds of business negotiations, international exhibitions, international conferences etc are seen everyday. Big increase is found in the population of foreign official travelers, business guests and tourists and the time of stay is also longer. Figures in Picture 2 shows a steady 2-digit increase in 2010 compared with 2009, average 30.79% for the whole year. This high rate is caused mostly by the opening of World Expo and it keeps this rate in 2011. The first 8 months of 2012 has also seen a steady growing trend with a single digit increase compared with the corresponding period in 2011. The average entry amount has grown steadily from 17.23 thousand per day to 23.318 thousand in 2010, and 22.3967 thousand in 2011 to 25.1943 thousand in 2012.



(Data source: Shanghai statistic network. <http://www.stats-sh.gov.cn>。 International Inbound Tourists include: foreigners, Hongkong and Macao compatriots and Taiwan compatriots)

Picture 2 Development Trend of Total International Inbound Tourists Number

Rise of major international conferences and foreign investment

As the financial and trade center of China, frequent international business activities has attracted more and more overseas agency to settle down in shanghai. In view of an effective cost control, these companies tend to rent the serviced apartments because of the downtown location and good transportation with a price of only one third to the common hotels. Large amount of foreign managers

and professionals pours into shanghai at the same time and they also like renting a place that can provide short-term residence with full range of facilities. Table 3 has shown sustaining increase in the number of foreign direct investment contracts since 2009. The figure is 816 more compared with 2009 in 2010, and 423 more in 2011 than in 2010. The first 8 months of 2012 has witnessed an increase of 442 compared with the 1987 contacts in 2009 in the corresponding period, and 12 more than the 2417 contacts in 2010 in the same period, 155 more than the 2274 contacts in 2011 regarding the same period.

Table 3 Foreign direct investment contracts number Unit⁷

Month	2009	2010	2011	2012
1	269	295	322	310
2	263	216	217	175
3	200	245	230	203
4	238	322	277	361
5	256	277	394	362
6	242	332	391	270
7	206	417	261	360
8	313	313	382	388
9	282	295	272	—
10	231	342	520	—
11	225	455	461	—
12	365	397	602	—
Total	3090	3906	4329	2429
Monthly Average	257.5	325.5	360.75	303.625

(Data source: Shanghai statistic network <http://www.stats-sh.gov.cn>. Foreign direct investment is absorbed from Sino-foreign joint venture, Sino-foreign cooperative business, wholly foreign-owned enterprises and joint-equity enterprises. Foreign direct investment contracted project is also named Approved Project, which includes approved foreign investment enterprises and contractual projects among foreign direct investment.)

Threat Analysis for Shanghai Serviced Apartment

The rising price of serviced apartment is the major threat. Table 4 shows that the data fluctuated, but in general, rise was more than that of drop. Average change rate between 2003 and sep. 2012 shows 3 type of rent variation: 1. overall rent presented a slide and the range is significant, for example Somerset Grand; 2. the price rose and fell all the time, but uptrend was greater than downtrend; 3. the overall rise of price and the range was great, such as Shanghai Center. General speaking, overall price level appears a rising trend.

Table 4 Monthly rent lists for part of Shanghai serviced apartments in 2003 and 2012 (yuan)²

Estate	2003	2012	Range ability	Annual change rate
New Harbour	11587—24000	14000—22000	2413—-2000	2.31—-0.92
Arcadia Serviced Apartments	19864—20692	18000—30000	-1864—9308	-1.04—5.03
Ascott Shanghai Pudong	13243—52451	25000—55000	11757—2549	9.87—0.54
Tianci Service Apartment	4135—14059	12000—16000	7865—1941	21.1—15.3
Somerset Grand Shanghai	24810—82770	17000—28000	-7810-54770	-3.5—-7.35
Grand Gateway Garden	12405—20675	17000—24000	4595—3325	4.1—1.79
Shanghai Centre	22347—46351	45000—74000	22653- 27649	11.27—6.63
Jinqiao International Garden	8277—13243	14340	6063—1097	8.14—0.92

(Data source: In table, negative sign means decrease, positive sign means increase. The results were converted with U.S dollar against Renminbi 8.277. Data of year 2007 was collected from Cityhome365.com.)

Conclusions

With the development of China's economy, Shanghai 12th five year plan points out that, Shanghai is accelerating its speed in building Four Center. Serviced apartment will face unprecedented opportunities of development. As its service quality getting enhanced, friends coming to Shanghai from all over the world can choose serviced apartment as their business, tourism, and relaxation place.

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